

average, while the shares of the unlimited banks fell about

**£90.**

The subject of permitting banking with limited liability under different conditions from those imposed by the Act of 1858 was brought up in Parliament and the government on April 21, 1879, introduced a bill for the purpose. The act became law<sup>1</sup> after a good deal of controversy and authorized the increase of capital stock by an amount equal to existing shares or some multiple of their value, and liable to be called up only in case the company was wound up. This constituted a reserve liability, which placed a definite fund within the reach of a failed bank without requiring assessments upon the shareholders to the full amount of the liabilities. The principal of unlimited liability was retained in regard to note issues by corporations whose original charters were unlimited. Most of the leading English banks and the unlimited Scotch banks soon registered under the new law. It was feared that the adoption of limited liability would result in a reduction of deposits, but this fear was discovered to be unfounded and deposits materially increased in the limited banks within the next few years. The banks generally adopted the policy of increasing their reserve funds by setting aside a part of the profits, but the reserve funds themselves are a source of profit in the revenue derived from the securities in which they are invested. It was found, moreover, by some of the English joint stock banks that a better class of shareholders, of undoubted responsibility, were attracted by the limited principle where men of straw without other visible assets had begun to acquire title to the stock when the liability was unlimited.<sup>8</sup>

The three senior Scotch banks possessed the privilege of limited liability in respect to both note issues and general liabilities. They desired in 1881 to increase their capital and to issue additional stock under the conditions of the limited companies.<sup>8</sup> The bills which they proposed were at first

<sup>1</sup> 42 and 43 Victoria, c., 76.

<sup>2</sup> *Ivondon Bankers' Magazine*, June, 1892, LIII, 897.

<sup>3</sup> The chartered banks had occasion to point out, in the course of